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# Goods Exchange Held Advantageous

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New York

Trade with the Soviet Union is to be to our advantage, and is merely to the advantage of the U.S.S.R.—if it is to be to the mutual advantage of both sides. It is important that American businessmen study how Soviet foreign trade is administered and operated: by what techniques of contracting and of financing it is conducted; and how disputes arising from such trade are settled.

These are some of the views expressed by Prof. Harold J. Berman of Harvard Law School, and research associate in the Russian Center of Harvard University, before the American Management Association's international management briefing on East-West trade here at the Saxe-Hilton Hotel.

"I think," Professor Berman said, "we must recognize that what it is a mistake to think of Soviet foreign trade officials simply as politicians doing business; at the same time it is also a mistake to ignore the fact that Soviet foreign trade is part of a system of total state economic planning, while the foreign trade of Western countries is conducted largely by private business firms on the basis of market conditions and the profit motive."

## Trade Bid Rejection Hit

He expressed the view that in June of last year, Soviet Premier Nikita S. Khrushchev made a serious proposal to President Eisenhower that the governments of the two countries enter into a trade agreement which demands attention.

"It was a mistake, in my opinion," he told the assembly, "for the President to reject the proposal that contemplated the possibility, though not the necessity, of American long-term credits. Khrushchev also indicated that it was possible to begin the development of commercial relations on the basis of reciprocal deliveries."

"It was a mistake," he continued, "on the ground that if the Soviet Union wants to develop a larger volume of trade with this country it can approach it on its own terms."

## Advantages Cited

It is the judgment of Professor Berman that a trade agreement with the Soviet Union would promote our national and international interest in the following ways:

The United States Government could assure a supply of some Soviet products which our importers want but which are not now available because the Soviets are selling them under a trade agreement with other countries.

The United States could assure the purchase by the Soviets of some products they now procure from our exporters' competitors in other countries.

The United States could prevent purchase by the Soviets of some products they now procure from our exporters' competitors in other countries.

The United States could prevent purchase by the Soviets of very small quantities of machinery bought merely as models to be copied.

The extra bargaining power which the Soviet combines sometimes derive from the monopolistic character could be partially offset.

A more efficient protection would be provided against the export of strategic goods than our present system of controls, since our government could determine in advance which products desired by the Soviets it would be willing to license.

Finally, the United States could obtain Soviet commitments not to dump.

## Problem Underlined

The American chemical industry has been faced with a series of definite problems in considering trade with the U.S.S.R. It has received from the Soviets offers to buy, along with pretty definite indications as to what they are willing to pay.

According to Cleveland Lane, assistant to the president of the Manufacturing Chemists' Association, in the normal course of trade, the chemical industry could have handled these bids by stating the terms under which we were willing to sell.

"But," he said, "the over-all relation of Russia with the rest of the world made it essential for us to consider these bids in the broadest possible terms."

Mr. Lane said that there is ample evidence to indicate that the Soviet Union's chemical capacity has lagged far behind the rest of Soviet industry. One of the main targets of the Soviet seven-year plan is to build a modern chemical industry "second to none." It calls for an investment of \$25,000,000,000 in chemical facilities.

## Reds Spur Chemical Industry

The executive pointed out that the Soviets require an extensive, modern chemical industry for these reasons:

Such an industry is essential to all other segments of the total industry the Soviet Union is trying to build.

A modern chemical industry would give the U.S.S.R. the best means it has of upgrading its

abundant raw materials for more profitable world trade.

And, finally, Premier Khrushchev has promised the Soviet people that he would raise their standard of living to the highest in the world; this he simply cannot do without a modern chemical industry.

At present, the Soviet chemical industry is believed to have a capacity of one-fourth to one-third that of the United States.

Bradley Fisk, Deputy Assistant Secretary of Commerce for International Affairs, told the AMA executives that: "Basically, while the effect of Soviet economic activities up to the present has not been of a character to significantly damage the ability of United States businessmen to engage in international trade, there is a continuing threat—one which must be given the serious consideration of both government and business."

## Offensive Began in 1954

Mr. Fisk said that the Soviet economic offensive began in 1954. Since then the Soviet Union has concluded agreements with 18 of the lesser industrialized or newly independent countries outside the Soviet bloc.

Equally important, he said, was the extension of Soviet economic aid which opens the door for the entry of large numbers of Soviet technicians and which provides a means by which the Communists may infiltrate, subvert, and exert political pressures.

"When we look at the recently announced seven-year plan of the U.S.S.R.," Mr. Fisk concluded, "we can see that basically the attention of the bloc is still, economically speaking, directed to internal industrial development rather than to external trade."

The rate of capital investment in the bloc is still at such a level as to make it impossible for the bloc to export a large amount of capital. In fact, in its trade with the West from which it wishes to import large amounts of capital and technological developments, the Soviets are attempting either to defer payment or to pay with raw materials," he said.

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